

Lasting environmental protection through monetary incentives

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Slash-and-burn in the rainforest. Credit: University of Innsbruck

Many of the world's ecosystems are overloaded and facing tipping

points. This also threatens their many services that are essential for our survival and which are usually taken for granted. These include, for example, fresh drinking water, breathable air and plant pollination. One approach to protecting ecosystems is the so-called Payments for Ecosystem Services (PES). However, critics fear that this approach could displace other, morally based motivations for environmental protection. A study by Esther Blanco, professor of economics at the University of Innsbruck, now shows that this is not the case.

Crowding out as main concern

"PES are programs that pay landowners to conserve nature," explains Esther Blanco. "They are a way of assigning value to nature itself, so that landowners see it as valuable in its pristine state and not just for its productive use. For example, a tree is given value without having to be cut down and processed into timber."

PES are thus a tool to change the notion that benefits derived from nature are free. An estimated 550 PES programs are running worldwide, and an estimate of \$36 billion is invested annually through them as payments to conservation. However, PES can be discontinued for a variety of reasons, such as political [motivation](#) or because a program is coming to an end.

One fundamental concern about PES is frequently repeated by critics: putting a price on nature could lead to conservation being viewed solely in financial terms and demotivate people from conserving nature for other reasons that were important to them in the past. "These motivations include pride in one's [conservation efforts](#), a sense of responsibility, [moral values](#) and social norms," says Blanco.

This displacement of original motivations by monetary incentives is called the "crowding out effect" in economics. If payments are

discontinued, motivation will be lost—such is the concern.

Study shows lasting motivation

In a newly published study, Blanco compared landowners in Colombia who had stopped receiving PES payments with those who had not or were still receiving them. She found that there was no crowding out effect. The [landowners](#) showed motivation even after the payments were stopped and continued to protect the ecosystems on their land. This main concern about PES could therefore not be confirmed.

Blancos' research is focused on sustainability and addresses the influence of institutions on cooperative behavior in fostering greener, fairer, knowledge-based societies and she has studied PES in depth.

"PES are very often used in the fight against [climate change](#). A good example is the REDD+ initiative, which aims to make forests financially attractive as carbon reservoirs," says Blanco. "My opinion on [climate policies](#) is very pragmatic: if they are effective and increase well-being and equity, they should be used. Single policy solutions for climate protection will not be enough, in my opinion. I see the best hope in a policy mix that includes compensation for those who do more to protect the climate."

As a next step, Blanco plans to find out if the results of her study can be generalized to other settings. She has conducted several economic experiments on the characteristics of PES programs to find positive interactions between donors and recipients. "It would be very interesting to apply some of these findings in field settings, similar to what we did to the study recently published", says Blanco.

"For example, we have [the very robust result](#) that compensation works best when [relative effort is compensated with relative rewards](#), i.e. those

who put in more effort also receive more compensation. When compensation is distributed equally to all, regardless of effort, we cannot observe an increase in effort. One of the things we are currently working on is testing these results in the field."

More information: Esther Blanco et al, No crowding out among those terminated from an ongoing PES program in Colombia, *Journal of Environmental Economics and Management* (2023). [DOI: 10.1016/j.jeem.2023.102826](https://doi.org/10.1016/j.jeem.2023.102826)

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